

AN ACT relating to opportunities in education.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Annual receipts" means the total amount of contributions received by a qualified organization for improvements to an eligible school, which qualify for a tax credit permitted by this section, during the qualified organization's calendar or fiscal year;

(b) "Contribution" means a donation of cash or personal property, the value of which is the fair market value of the personal property at the time of the donation, paid to a qualified organization;

(c) "Eligible school" means a focus school identified by the Kentucky Board of Education that:

1. Has a nonduplicated student gap group score in the bottom ten percent (10%) of nonduplicated student gap group scores for all elementary, middle, and high schools;

2. Has an individual student subgroup by level that falls in the bottom five percent (5%) for individual subjects; or

3. For a high school, has a graduation rate that has been less than eighty percent (80%) for two (2) consecutive years;

(d) "Entity exempt from taxation" means any corporation, community chest fund, or foundation that is exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code; and

(e) "Qualified organization" means an entity exempt from taxation which:

1. Supports public education in the Commonwealth by:

a. Assisting teachers and administrators in the development of

- sound and innovative approaches to improve instruction or management;
- b. Replicating successful programs developed in other districts, including those designed to reduce achievement gaps;
- c. Encouraging cooperative instructional or management approaches to address specific school educational problems; or
- d. Encouraging teachers and administrators to conduct experimental programs to test concepts and applications being advanced as solutions to specific educational problems;
2. Distributes at least ninety percent (90%) of its annual receipts to one (1) or more eligible schools; and
3. Is certified by the department as eligible to receive contributions which qualify for the tax credit permitted by this section.
- (2) (a) Effective for taxable years beginning on or after January 1, 2016, but before January 1, 2020, a nonrefundable tax credit shall be permitted against the tax imposed by KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in Section 4 of this Act, based upon contributions made to a qualified organization during the taxable year.
- (b) The tax credit amount shall be equal to the lesser of:
1. Ninety percent (90%) of the contributions made during the taxable year; or
2. Seven hundred fifty thousand dollars (\$750,000).
- (c) The aggregate value of the total annual credit available shall be determined as follows:
1. In fiscal year 2016-2017, the credit awarded shall not exceed twenty-five million dollars (\$25,000,000); and
2. In subsequent fiscal years:

- a. If the aggregate value of all credits awarded during the prior fiscal year equals at least ninety percent (90%) of the credit cap available for that year, the credit cap for the next fiscal year shall be increased by twenty-five percent (25%) over the credit cap amount established for the prior year; or
- b. If the aggregate value of all credits awarded during the prior fiscal year does not equal at least ninety percent (90%) of the credit cap available for that year, the credit cap shall remain at the same level as the credit cap for the prior fiscal year.
- (d) If the taxpayer is a pass-through entity, the taxpayer shall apply the credit against the limited liability entity tax imposed by KRS 141.0401, and shall also pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through.
- (3) (a) Authorizations for tax credits under this section shall be awarded on a first-come, first-served basis, within the limitations set forth in this section.
- (b) 1. Prior to making a contribution to a qualified organization, the taxpayer shall apply to the department for preapproval, in a manner prescribed by the department. The application shall provide the total amount of contribution that the taxpayer intends to make to each qualified organization.
2. The department shall preapprove or deny the amount of proposed contribution within thirty (30) days of receipt of the application required by subparagraph 1. of this paragraph and shall notify the taxpayer and the qualified organization of its decision. The notification shall include the amount approved and shall list the qualified organization to which contributions may be made.

3. The department shall modify the amount of credit pending verification and the remaining amount of credit available to taxpayers as required by subsection (4)(c) of this section upon preapproval of a contribution.
 4. Within sixty (60) days of receipt of the department's preapproval notice, the taxpayer shall make the contribution to each qualified organization for which preapproval has been received and shall provide verification to the department, in a manner prescribed by the department, that the contribution has been made.
 5. Upon receipt of verification that the contribution has been made or the expiration of the sixty (60) day period without verification, whichever occurs first, the department shall modify the amount of credit pending verification, the amount of credit allocated to taxpayers, and the remaining credit available to taxpayers, as applicable and as required by subsection (4)(c) of this section.
 6. If a taxpayer applies for preapproval under subparagraph 1. of this paragraph when no amount of credit remains for allocation, but a portion of the total amount of credit available is pending verification, the department shall notify the taxpayer that the application is being held in abeyance and will be funded on a first-come, first-served basis or will be denied if all contributions are timely made.
- (4) To administer the tax credit and the tax credit cap, the department shall:
- (a) Create the forms to be filed by the taxpayer seeking the credit and the forms to be used by the department to notify the taxpayer of preapproval or denial of the credit;
 - (b) With assistance from the Kentucky Board of Education, create a list of qualified organizations;
 - (c) Create a Web site listing the amount of the total credit pending verification,

- the amount of the total credit allocated to date, and the remaining credit available to taxpayers making contributions to qualified organizations;
- (d) Allow the date and time stamp from the form to establish the order in which the application was received;
- (e) Notify the taxpayer of the allowable credit available by the issuance of a tax credit allocation letter, which the taxpayer shall submit with the taxpayer's return when claiming the credit;
- (f) Collect necessary data to provide the report required by Section 3 of this Act; and
- (g) Promulgate administrative regulations to establish:
1. The procedures and timelines for an entity exempt from taxation to receive approval on an annual basis as a qualified organization. The administrative regulations shall include a requirement that the entity submit with its application:
 - a. A copy of the entity's income tax exemption under Section 501(c)(3) of the Internal Revenue Code;
 - b. A description of the program operated by the entity. The description shall include detailed information about the application and review process for school funding projects;
 - c. A voluntary agreement by the entity to provide the information necessary for the department to comply with the reporting requirements for contributions received related to the credit permitted by this section and the disbursement of those funds to eligible schools; and
 - d. Any other information the department may require to verify the organization's qualification to participate;
 2. The process and procedures for taxpayers to apply for tax credit

authorizations;

3. The reporting requirements for qualified organizations, including:

a. An annual monitoring report outlining:

i. The amount of funding contributed to each eligible school;

ii. A description of the school improvement program implemented;

iii. The progress of implementing the school improvement program; and

iv. Any additional information required for monitoring of the school improvement program; and

b. Independent financial audits to verify use of annual receipts related to the school improvement program;

4. The procedures and timelines for removing a qualified organization from the list of approved entities; and

5. Any other procedures necessary to implement this section.

(5) A taxpayer pursuing a tax credit under this section shall:

(a) Notify the department of the intent to make a contribution to a qualified organization; and

(b) Within sixty (60) days of receipt of the department's preapproval:

1. Make a contribution to a qualified organization;

2. Obtain a receipt for the contribution from the qualified organization; and

3. Provide the department verification that the contribution has been made.

(6) If a taxpayer claims the credit permitted under this section, the taxpayer shall not be entitled to a Kentucky charitable contribution deduction for the contributions upon which the credit has been taken.

(7) A tax credit not used in the tax year the contribution was made shall not be carried forward or carried back and shall not be refundable or transferable.

(8) Qualified organizations shall:

(a) Award funding to eligible schools;

(b) Collect and report the data required by the department for annual monitoring; and

(c) Provide a receipt to the taxpayer for the contribution made.

➔SECTION 2. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Annual receipts" means the total amount of contributions received by a qualified scholarship-granting organization for a scholarship program from which tax credits are awarded under this section during the qualified scholarship-granting organization's calendar or fiscal year;

(b) "Contribution" means a donation of cash or personal property, the value of which is the fair market value of the personal property at the time the donation is made;

(c) "Eligible student" means:

1. A school-age student who resides in the Commonwealth and is a member of a household with an annual income of not more than one hundred sixty percent (160%) of household income at the time of entering the scholarship program; or

2. A school-age student who is a sibling of a student participating in a scholarship program;

(d) "Household" means:

1. An individual living alone;

2. An individual living with a spouse;

3. One (1) or more parents living with their unemancipated minor children who are related by blood, marriage, or legal adoption; or
 4. An individual living with adults or unemancipated minor children in the household who are dependents of that individual;
- (e) "Household income" means the amount of income determined by the federal Department of Agriculture pursuant to 42 U.S.C. secs. 1751 to 1789 to establish eligibility for reduced-price meals for each school year;
- (f) "Nonpublic school" means a nonpublic kindergarten, elementary, or secondary school located in the Commonwealth which is:
1. Certified by the Kentucky Board of Education as a nonpublic school and appears on the annual list of certified nonpublic schools issued by the Kentucky Board of Education; or
 2. Seeking certification by the Kentucky Board of Education as a nonpublic school as provided in Section 7 of this Act;
- (g) "Qualified scholarship-granting organization" means a nonprofit organization that:
1. Is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code;
 2. Distributes at least ninety percent (90%) of its annual receipts to a scholarship program; and
 3. Is certified by the department as eligible to receive contributions which qualify for the tax credit established under subsection (2) of this section;
- (h) "School age" means the earliest admission age to a school's kindergarten program or, if no kindergarten program is provided, the school's earliest admission age for beginners, until the student graduates from high school or at the end of the school year in which the student reaches twenty-one

(21) years of age, whichever occurs first;

(i) "Taxpayer" means a person subject to the tax imposed under KRS 136.505, 141.020, 141.040, or 141.0401; and

(j) "Scholarship program" means a program that:

1. Provides a scholarship:

a. To more than one (1) eligible student to attend a school located in the Commonwealth. The amount of any scholarship granted shall be no more than the actual amount of costs and fees incurred by the school had the scholarship not been granted to the student; and

b. Without limiting availability to only students of one (1) school;

2. Has policies in place concerning rebates or refunds of any scholarship issued to students who withdraw from a school prior to the end of the period for which the scholarship was issued; and

3. Has a policy in place that maintains the confidentiality of information pertaining to student eligibility, including income information.

(2) (a) Effective for taxable years beginning on or after January 1, 2016, but before January 1, 2020, a nonrefundable tax credit shall be permitted against the tax imposed by KRS 141.020 or 141.040 and 141.0401, with the ordering of credits as provided in Section 4 of this Act, for contributions made during a taxable year to one (1) or more qualified scholarship-granting organizations.

(b) If the taxpayer is a pass-through entity, the taxpayer shall apply the credit against the limited liability entity tax imposed by KRS 141.0401, and shall also pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through.

(c) The tax credit amount shall be equal to the lesser of:

1. Ninety percent (90%) of the total contributions made to qualified scholarship-granting organizations during the taxable year; or
2. Seven hundred fifty thousand dollars (\$750,000) per taxpayer per taxable year.

(d) The aggregate value of the total annual credit available shall be determined as follows:

1. In fiscal year 2016-2017, the credit awarded shall not exceed twenty-five million dollars (\$25,000,000); and
2. In subsequent fiscal years:
 - a. If the aggregate value of all credits awarded during the prior fiscal year equals at least ninety percent (90%) of the credit cap available for that year, the credit cap for the next fiscal year shall be increased by twenty-five percent (25%) over the credit cap amount established for the prior year; or
 - b. If the aggregate value of all credits awarded during the prior fiscal year does not equal at least ninety percent (90%) of the credit cap available for that year, the credit cap shall remain at the same level as the credit cap for the prior fiscal year.

(3) (a) Authorizations for tax credits under this section shall be awarded on a first-come, first-served basis, within the limitations set forth in this section.

- (b) 1. Prior to making a contribution to a scholarship-granting organization, the taxpayer shall apply to the department for preapproval, in a manner prescribed by the department. The application shall provide the total amount of contribution that the taxpayer intends to make to each scholarship-granting organization.
2. The department shall preapprove or deny the amount of proposed

contribution within thirty (30) days of receipt of the application required by subparagraph 1. of this paragraph and shall notify the taxpayer and the scholarship-granting organization of its decision. The notification shall include the amount approved and shall list the scholarship-granting organization to which contributions may be made.

3. The department shall modify the amount of credit pending verification and the remaining amount of credit available to taxpayers as required by subsection (4)(b) of this section upon preapproval of a contribution.
4. Within sixty (60) days of receipt of the department's preapproval notice, the taxpayer shall make the contribution to each scholarship-granting organization for which preapproval has been received and shall provide verification to the department, in a manner prescribed by the department, that the contribution has been made.
5. Upon receipt of verification that the contribution has been made or the expiration of the sixty (60) day period without verification, whichever occurs first, the department shall modify the amount of credit pending verification, the amount of credit allocated to taxpayers, and the remaining credit available to taxpayers, as applicable and as required by subsection (4)(b) of this section.
6. If a taxpayer applies for preapproval under subparagraph 1. of this paragraph when no amount of credit remains for allocation, but a portion of the total amount of credit available is pending verification, the department shall notify the taxpayer that the application is being held in abeyance and will be funded on a first-come, first-served basis or will be denied if all contributions are timely made.

(4) To administer the tax credit and the tax credit cap established in subsection (2)(d)

of this section, the department shall:

- (a) Create the forms to be filed by the taxpayer seeking the credit, the forms to be used by the department to notify the taxpayer of preapproval or denial of the credit, and the educational materials related to the scholarship credit to be distributed by the scholarship-granting organizations;
- (b) Create a Web site listing the amount of the total credit pending verification, the amount of the total credit allocated to date, and the remaining credit available to taxpayers making contributions to scholarship-granting organizations;
- (c) Allow the date and time stamp from the form to establish the order in which the application was received;
- (d) Notify the taxpayer of:
 1. The preapproval or denial of the credit upon receipt of the application from the taxpayer; and
 2. The amount of credit allocated to the taxpayer upon confirmation that the preapproved contribution has been made by the issuance of a tax credit allocation letter, which the taxpayer shall submit with the taxpayer's return when claiming the credit;
- (e) Collect necessary data to provide the report required by Section 3 of this Act; and
- (f) Promulgate administrative regulations to establish:
 1. The procedures and timelines for nonprofit organizations to receive approval as qualified scholarship-granting organizations on an annual basis. The administrative regulations shall include a requirement that the nonprofit organization submit with its application:
 - a. A copy of the organization's income tax exemption under

Section 501(c)(3) of the Internal Revenue Code;

- b. A description of the scholarship program operated by the organization. The description shall include detailed information about the application and review process and income verification procedures utilized by the organization;
- c. A voluntary agreement by the scholarship-granting organization to provide the information necessary for the department to comply with the reporting requirements for contributions received related to the credit permitted by this section; and
- d. Any other information the department may require to verify the organization's qualification to participate;
2. The process and procedures for taxpayers to notify the department of the intent to make a contribution to a scholarship-granting organization and the process and procedures for tax credit allocations and authorizations;
3. The reporting requirements for qualified scholarship-granting organizations, including:

 - a. An annual monitoring report outlining for each eligible student:

 - i. The amount of scholarship received;
 - ii. The grade level of the eligible student;
 - iii. The name of the school the eligible student attended;
 - iv. The name of the county in which the school is located;
 - v. The household income of the student; and
 - vi. Any additional information required for monitoring of the scholarship credit program; and
 - b. Independent financial audits to verify use of annual receipts;
4. The procedures and timelines for removing a qualified scholarship-

granting organization from the list of approved organizations; and

5. Any other procedures necessary to implement this section.

(5) The department shall notify a nonprofit organization of its approval or disapproval as a qualified scholarship-granting organization within thirty (30) days after the organization has submitted the required information.

(6) (a) The department shall publish on its Web site an up-to-date list of qualified scholarship-granting organizations.

(b) The department shall make the list available to the Kentucky Department of Education, which shall also publish the list on its Web site.

(c) If a qualified scholarship-granting organization fails to contribute at least ninety percent (90%) of its annual receipts to one (1) or more approved scholarship programs, or if the department determines that the organization no longer meets the requirements of this section, the department shall remove the organization from the list.

(d) Only contributions to qualified scholarship-granting organizations on the list maintained by the department shall be recognized for tax credits under this section. Contributions made to a scholarship-granting organization that has been removed from the department's list of qualified scholarship-granting organizations shall not be recognized for the tax credit.

(7) (a) Qualified scholarship-granting organizations shall be responsible for awarding financial aid in accordance with this section.

(b) Qualified scholarship-granting organizations shall:

1. Assist the department in educating taxpayers by distributing materials produced by the department about the scholarship credit;

2. Award scholarships only to eligible students;

3. Collect and report the data required by the department for annual monitoring;

4. Provide a receipt to the taxpayer for the contribution made; and
5. Suspend the issuance of any new scholarships if all contributions are designated as contributions to a single school.

(c) Qualified scholarship-granting organizations shall not:

1. Award financial assistance to a dependent of the organization's board of directors or staff; or
2. Accept a contribution from a taxpayer if the taxpayer designates that the contribution shall be used to award any financial assistance to a particular student or group of students. A taxpayer may only designate that the contribution be used to provide scholarships at a specific school.

(8) A taxpayer pursuing a tax credit under this section shall:

(a) Notify the department of the intent to make a contribution to a scholarship-granting organization; and

(b) Within sixty (60) days of receipt of the department's preapproval:

1. Make a contribution to a qualified scholarship-granting organization;
2. Obtain a receipt for the contribution from the qualified scholarship-granting organization; and
3. Provide the department verification that the contribution has been made.

(9) If a taxpayer takes the credit permitted by this section, the taxpayer shall not be entitled to a Kentucky charitable contribution deduction for the contributions on which the credit has been taken.

(10) A tax credit not used in the tax year the contribution was made shall not be carried forward or carried back and shall not be refundable or transferable.

➔SECTION 3. A NEW SECTION OF KRS CHAPTER 141 IS CREATED TO READ AS FOLLOWS:

(1) The purposes of Sections 1 and 2 of this Act are to:

(a) Support public education through additional funding from the private sector to:

1. Develop innovative approaches for instruction;
2. Assist in reducing achievement gaps; and
3. Identify applications to address specific educational problems; for the Commonwealth's focus schools; and

(b) Provide resources to students through educational scholarships which:

1. Allow a choice in education for eligible students from low- and middle-income families; and
2. Ensure that every student in the Commonwealth gets the best education possible.

(2) Notwithstanding KRS 131.190, the department shall work with the Kentucky Department of Education to provide the following information to the Legislative Research Commission no later than November 1, 2017, and no later than November 1 each year thereafter as long as the credits are permitted:

(a) For the school improvement credit permitted by Section 1 of this Act:

1. The number of taxpayers authorized to take the credit;
2. The total amount of credit authorized for all taxpayers;
3. The amount of tax credit claimed on returns filed associated with the fiscal year within which the tax credit was authorized;
4. A list of the schools in the Commonwealth that received additional funding because of the contributions made and the amount of funding to each school;
5. The ranking of each school prior to and after receiving the additional funding as ranked by the Kentucky Board of Education by the Commonwealth's accountability system to classify schools and

districts pursuant to KRS 158.6453; and

6. A description of the innovative approaches for instruction, reduction of achievement gaps, or the specific educational problems addressed by the funding; and

(b) For the scholarship credit permitted by Section 2 of this Act:

1. All information contained in each annual monitoring report filed by a qualified scholarship-granting organization as required by subsection (4)(f)3.a. of Section 2 of this Act and the administrative regulations promulgated thereunder, with each student given a unique identification number;

2. The number and total amount of scholarships awarded to low- and middle-income taxpayers within income ranges of five thousand dollars (\$5,000); and

3. Any other information that may be necessary to assist the members of the General Assembly in determining that the purposes of this tax credit are being fulfilled.

→Section 4. KRS 141.0205 is amended to read as follows:

If a taxpayer is entitled to more than one (1) of the tax credits ~~permitted~~^{allowed} against the tax imposed by KRS 141.020, 141.040, and 141.0401, the priority of application and use of the credits shall be determined as follows:

(1) The nonrefundable business incentive credits against the tax imposed by KRS 141.020 shall be taken in the following order:

- (a) 1. For taxable years beginning after December 31, 2004, and before January 1, 2007, the corporation income tax credit permitted by KRS 141.420(3)(a);
2. For taxable years beginning after December 31, 2006, the limited liability entity tax credit permitted by KRS 141.0401;

- (b) The economic development credits computed under KRS 141.347, 141.381, 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-2088, and 154.27-080;
- (c) The qualified farming operation credit permitted by KRS 141.412;
- (d) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
- (e) The health insurance credit permitted by KRS 141.062;
- (f) The tax paid to other states credit permitted by KRS 141.070;
- (g) The credit for hiring the unemployed permitted by KRS 141.065;
- (h) The recycling or composting equipment credit permitted by KRS 141.390;
- (i) The tax credit for cash contributions in investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;
- (j) The coal incentive credit permitted ~~by~~ KRS 141.0405;
- (k) The research facilities credit permitted ~~by~~ KRS 141.395;
- (l) The employer GED incentive credit permitted ~~by~~ KRS 164.0062;
- (m) The voluntary environmental remediation credit permitted by KRS 141.418;
- (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
- (o) The environmental stewardship credit permitted by KRS 154.48-025;
- (p) The clean coal incentive credit permitted by KRS 141.428;
- (q) The ethanol credit permitted by KRS 141.4242;
- (r) The cellulosic ethanol credit permitted by KRS 141.4244;
- (s) The energy efficiency credits permitted by KRS 141.436;
- (t) The railroad maintenance and improvement credit permitted by KRS 141.385;
- (u) The Endow Kentucky credit permitted by KRS 141.438;
- (v) The New Markets Development Program credit permitted by KRS 141.434;
- (w) The food donation credit permitted by KRS 141.392;
- (x) The distilled spirits credit permitted by KRS 141.389;~~and~~

- (y) The angel investor credit permitted by KRS 141.396;
 - (z) The school improvement credit permitted by Section 1 of this Act; and
 - (aa) The scholarship credit permitted by Section 2 of this Act.
- (2) After the application of the nonrefundable credits in subsection (1) of this section, the nonrefundable personal tax credits against the tax imposed by KRS 141.020 shall be taken in the following order:
- (a) The individual credits permitted by KRS 141.020(3);
 - (b) The credit permitted by KRS 141.066;
 - (c) The tuition credit permitted by KRS 141.069;
 - (d) The household and dependent care credit permitted by KRS 141.067; and
 - (e) The new home credit permitted by KRS 141.388.
- (3) After the application of the nonrefundable credits provided for in subsection (2) of this section, the refundable credits against the tax imposed by KRS 141.020 shall be taken in the following order:
- (a) The individual withholding tax credit permitted by KRS 141.350;
 - (b) The individual estimated tax payment credit permitted by KRS 141.305;
 - (c) For taxable years beginning after December 31, 2004, and before January 1, 2007, the corporation income tax credit permitted by KRS 141.420(3)(c);
 - (d) The certified rehabilitation credit permitted by KRS 171.3961 and 171.397(1)(b); and
 - (e) The film industry tax credit ~~permitted~~permitted by KRS 141.383.
- (4) The nonrefundable credit permitted by KRS 141.0401 shall be applied against the tax imposed by KRS 141.040.
- (5) The following nonrefundable credits shall be applied against the sum of the tax imposed by KRS 141.040 after subtracting the credit provided for in subsection (4) of this section, and the tax imposed by KRS 141.0401 in the following order:
- (a) The economic development credits computed under KRS 141.347, 141.381,

- 141.384, 141.400, 141.401, 141.402, 141.403, 141.407, 141.415, 154.12-2088, and 154.27-080;
- (b) The qualified farming operation credit permitted by KRS 141.412;
 - (c) The certified rehabilitation credit permitted by KRS 171.397(1)(a);
 - (d) The health insurance credit permitted by KRS 141.062;
 - (e) The unemployment credit permitted by KRS 141.065;
 - (f) The recycling or composting equipment credit permitted by KRS 141.390;
 - (g) The coal conversion credit permitted by KRS 141.041;
 - (h) The enterprise zone credit permitted by KRS 154.45-090, for taxable periods ending prior to January 1, 2008;
 - (i) The tax credit for cash contributions to investment funds permitted by KRS 154.20-263 in effect prior to July 15, 2002, and the credit permitted by KRS 154.20-258;
 - (j) The coal incentive credit permitted ~~by~~under KRS 141.0405;
 - (k) The research facilities credit permitted ~~by~~under KRS 141.395;
 - (l) The employer GED incentive credit permitted ~~by~~under KRS 164.0062;
 - (m) The voluntary environmental remediation credit permitted by KRS 141.418;
 - (n) The biodiesel and renewable diesel credit permitted by KRS 141.423;
 - (o) The environmental stewardship credit permitted by KRS 154.48-025;
 - (p) The clean coal incentive credit permitted by KRS 141.428;
 - (q) The ethanol credit permitted by KRS 141.4242;
 - (r) The cellulosic ethanol credit permitted by KRS 141.4244;
 - (s) The energy efficiency credits permitted by KRS 141.436;
 - (t) The ENERGY STAR home or ENERGY STAR manufactured home credit permitted by KRS 141.437;
 - (u) The railroad maintenance and improvement credit permitted by KRS 141.385;
 - (v) The railroad expansion credit permitted by KRS 141.386;

- (w) The Endow Kentucky credit permitted by KRS 141.438;
 - (x) The New Markets Development Program credit permitted by KRS 141.434;
 - (y) The food donation credit permitted by KRS 141.392;~~[and]~~
 - (z) The distilled spirits credit permitted by KRS 141.389;
 - (aa) The school improvement credit permitted by Section 1 of this Act; and**
 - (ab) The scholarship credit permitted by Section 2 of this Act.**
- (6) After the application of the nonrefundable credits in subsection (5) of this section, the refundable credits shall be taken in the following order:
- (a) The corporation estimated tax payment credit permitted by KRS 141.044;
 - (b) The certified rehabilitation credit permitted by KRS 171.3961 and 171.397(1)(b); and
 - (c) The film industry tax credit **permitted by**~~allowed in~~ KRS 141.383.

➔SECTION 5. A NEW SECTION OF KRS 136.500 TO 136.575 IS CREATED TO READ AS FOLLOWS:

(1) Effective for tax years beginning on or after January 1, 2016, but before January 1, 2020, a financial institution shall be permitted a nonrefundable tax credit against the tax imposed by KRS 136.505 for contributions made during a tax year to an entity exempt from taxation as permitted by Section 1 of this Act.

(2) Effective for tax years beginning on or after January 1, 2016, but before January 1, 2020, a financial institution shall be permitted a nonrefundable tax credit against the tax imposed by KRS 136.505 for contributions made during a tax year to one (1) or more qualified scholarship granting organizations as permitted by Section 2 of this Act.

➔SECTION 6. A NEW SECTION OF KRS 136.500 TO 136.575 IS CREATED TO READ AS FOLLOWS:

If a taxpayer is entitled to more than one (1) of the tax credits permitted against the tax imposed by KRS 136.505, the priority of application and use of the credits shall be

determined as follows:

(1) The nonrefundable credits against the tax imposed by KRS 136.505 shall be taken in the following order:

(a) The credit for cash contributions in investment funds permitted by KRS 154.20-258;

(b) The school improvement credit permitted by Section 1 of this Act; and

(c) The scholarship credit permitted by Section 2 of this Act; and

(2) After the application of the nonrefundable credits in subsection (1) of this section, the refundable certified rehabilitation credit permitted by KRS 171.3961 and 171.397(1)(b) shall be taken.

➔SECTION 7. A NEW SECTION OF KRS CHAPTER 156 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Nonpublic school" has the same meaning as in Section 2 of this Act; and

(b) "Qualified scholarship-granting organization" has the same meaning as in Section 2 of this Act.

(2) To receive scholarships from a qualified scholarship-granting organization as provided by Section 2 of this Act, a new nonpublic school shall, within five (5) years of beginning operations in the Commonwealth, register with the Kentucky Department of Education and notify the department of its intent to become a certified nonpublic school.

(3) The Kentucky Department of Education shall maintain a list of these schools and shall promulgate an administrative regulation to:

(a) Establish the procedures for a school to become a certified nonpublic school, including timelines for meeting certification criteria and reporting requirements that ensure schools are progressing through the certification process;

- (b) Provide that the school shall complete the certification process within five (5) years of beginning operation in the Commonwealth or within five (5) years of the effective date of this Act, whichever occurs last;
- (c) Establish the criteria allowing a school to receive scholarships from a scholarship-granting organization as provided by Section 2 of this Act while the school is in the process of becoming a certified nonpublic school; and
- (d) Publish on the Kentucky Board of Education's Web site an annual list of certified nonpublic schools and those schools in the process of becoming a certified nonpublic school.